Before the
Federal Communications Commission
Washington, D.C. 20554

In the Matter of	)	
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2000 Biennial Regulatory Review –Comprehensive Review of the Accounting Requirements and ARMS Reporting Requirements for Incumbents Local Exchange Carriers: Phase 2;	)))))	**CC Docket No. 00-199**
Amendments to the Uniform System of Accounts for Interconnection;	))	**CC Docket No. 97-212**
Jurisdictional Separations Reform and Referral to the Federal-State Joint Board;	))	**CC Docket No. 80-286**
Local Competition and Broadband Reporting	)	**CC Docket No. 99-301**

Phase III Comments of the
New Hampshire Public Utilities Commission
On the
FURTHER NOTICE OF PROPOSED RULEMAKING

The New Hampshire Public Utilities Commission (NHPUC) and the New Hampshire Office of the Consumer Advocate (OCA)[1] respectfully submit comments on the Federal Communications Commission's (Commission) Report and Order adopted October 11, 2001, and released November 5, 2001 [FCC 01-305, Federal Register 5704 (February 6, 2002)]. The NHPUC and the OCA also comment on the Further Notice of Proposed Rulemaking ("Further

[1] The New Hampshire OCA is charged with representing the interests of residential ratepayers concerning public utility matters. RSA 363:28.

Notice") contained in the Report and Order, which addresses a number of fundamental issues.

BACKGROUND

The NHPUC adopted, in large measure, the current Part 32 Uniform System of Accounts for Telecommunications Companies (USOA), in order to simplify regulatory burdens and to enable consistency of data for of multi-jurisdictional providers. The FCC Order preserves many of the existing accounting rules, and prescribes new rules, which stipulate how incumbent local exchange carriers (ILECs) record and allocate their revenues and costs. It also addresses the changes to the Commission's Automated Reported Management Information System (ARMIS) reporting rules, which require the reporting of financial and operating information by ILECs.

On September 6, 2001 the NHPUC filed comments, in Phase 2 of CC Docket No. 00-199, in support of some reductions in the number of accounts. Nonetheless, the NHPUC requested that the Commission proceed with caution regarding other reductions of regulatory reports, which would deprive state commissions of information essential for fair and accurate oversight of costs and service quality.

The Further Notice asks central questions about further changes to the Part 32 USOA and ARMIS reporting requirements and rules concerning continuing property records (CPR) and affiliate transactions. Specifically, the Further Notice seeks comments on the possibility of establishing fixed sunsets when accounting and reporting requirements should be eliminated, and of specifying under what circumstances; whether three years is a sufficient amount of time to transition from federal to state information gathering mechanisms; whether there are other means to reform federal requirements that serve state regulatory needs; to what extent affiliate transactions rules remain effective. In addition, the Further Notice states that the Commission desires to work with the states to arrange a mechanism in which states would undertake responsibility for gathering accounting data.

The NHPUC and the OCA support the comments filed by the National Association of Regulatory Commissioners (NARUC). Specifically, we believe that a national system of accounting requirements helps prevent improper cross-subsidization, provides uniformity and comparability among companies, and is in the public interest.

ILECs in New Hampshire are subject to rate-of-return regulation. When states with price caps reset their alternative regulation plans, they often resort to the same forms of cost data used in cost-plus ratemaking to recalibrate the baseline of the price cap. Without a national uniform accounting system there will be little, if any, reliable data available upon which to base the establishment of just, reasonable, and nondiscriminatory retail and wholesale rates.

I. ACCOUNTING AND REPORTING REQUIREMENTS SHOULD NOT BE ELIMINATED

Since the merger of Bell Atlantic and GTE, ARMIS data has become the principal source for review of individual state-by-state financial information for Verizon, a region-wide company. The elimination of the ARMIS reporting data would make it extremely difficult for the NHPUC and its neighboring state regulatory commissions to determine the level of investment required to provide reliable service, or to make comparisons to other state infrastructure development effortsIn the event that the FCC moves forward with the elimination of the USOA in its entirety, NHPUC and the OCA firmly believe that the proposed three-year transition is wholly inadequate. We concur with the Illinois Commerce Commission comment, that a five to seven year transition period should be considered the minimum amount of time necessary.

II. REMOVING AFFILIATE TRANSACTION RULES WILL HINDER THE DEVELOPMENT OF

COMPETITION

Section 272 of the Telecommunications Act of 1996 (Act) requires the Bell Operating Companies (BOCs) to conduct all transactions with their section 272 affiliates on an "arm's length basis." The Commission's existing affiliate transaction rules were designed solely for transactions between regulated carriers and their nonregulated affiliates. Subsequently, the Commission concluded that it would apply the affiliate transaction rules to transactions between each BOC and any interLATA telecommunications affiliate it establishes under section 272, such as an affiliate providing in-region services, and ordered that the BOCs treat such in-region services as nonregulated activities for accounting purposes.

The NHPUC and the OCA concur in NARUC's comments that these affiliate transactions rules should not be eliminated until there is a finding of effective competition and non-dominance. Further, the NHPUC and the OCA concur in the comments of the Wisconsin Public Utilities Commission that the need for cross subsidy regulation will not go away until competition drives earnings to competitive levels and the source of cross subsidy funds is eliminated by market pressure.

The NHPUC and the OCA believe that the elimination (or weakening) of these affiliated transaction rules would provide unwelcome opportunities for cross-subsidization, whereby a carrier may cross subsidize its non-regulated operations from its regulated operations and further hinder the development of local competition.

III. ESTABLISHING A MECHANISM FOR STATES TO GATHER ACCOUNTING DATA IS AN UNNECESSARY, COSTLY TASK

The review and establishment of an appropriate and comprehensive accounting system is a complex task. In order to avoid problems of stand-alone systems of accounts, a focused and concentrated project would have to be established. This effort would have to ensure that financial and accounting alternatives are integrated to link seamlessly between the multi-jurisdictional states in which a given carrier does business. The NHPUC and the OCA believe this type of project would be a costly and time-consuming effort. It would have to be repeated and constantly updated as the carrier's footprint shifts or enlarges. Maintaining the current functional system, the FCC's USOA, would obviate the need for such a complex and ongoing coordination project. The USOA provides all of the benefits that such an effort would likely bring, and its existence and uniformity is one of the primary benefits of federal utility oversight.

Absent a uniform system of accounts, and even if a number of states were able to maintain a consistent system of accounts across their boundaries, carriers will be subject to inconsistent, duplicative, and conflicting rules state by state. The burden of meeting as many as 50 different state requirements, for a carrier with a national footprint, will be onerous.

One of the greatest challenges facing today's financial executives lies in accurate and timely financial data collection from other areas of the organization. This is especially true in the case of multi-jurisdictional data collection. Getting financial information in a consistent, reliable format is impossible without being able to establish system links into operational areas by jurisdiction. This is precisely what the FCC's USOA establishes.

Any alternative to the FCC's USOA would have to provide assurances of the reliability upon the data gathered, including, among other items, the methodologies for affiliate transactions and expensing rules. Therefore, the NHPUC and the OCA concur with NARUC's position that only a Federal-State Joint Conference can produce such an alternative to develop the record needed.

CONCLUSION

For the foregoing reasons, the NHPUC and the OCA urge the Commission to maintain its current accounting, reporting and affiliate transaction rules. Should the Commission continue on its path to eliminate the federal accounting and reporting requirements, the NHPUC and the OCA respectfully request that a Federal-State Joint Conference be established to develop a comprehensive replacement over the course of a seven-year period.

Respectfully submitted for the

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Dated: May 8, 2002